

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 310 - SB 1197

February 21, 2017

SUMMARY OF BILL: Defines charter agreement as a fixed term renewable agreement between a public charter school and a chartering authority. Requires chartering authorities to adopt national authorizing standards for charter schools. Requires public charter schools to pay local boards of education an authorizer fee based on the percentage of the charter school's per student state and local funding allocated under Tenn. Code Annotated § 49-13-112 and sets forth a tiered structure to receive such fees.

The annual authorizer fee shall be calculated based on the following schedule: (1) If the local school board oversees one to ten public charter schools, the annual authorizer fee shall be three percent of the annual per student state and local allocations; (2) If the local school board oversees 11 to 20 public charter schools, the annual authorizer fee shall be two percent of the annual per student state and local allocations; and (3) If the local school board oversees 21 or more public charter schools, the annual authorizer fee shall be one percent of the annual per student state and local allocations.

Requires LEA charter authorizers to adjust payments to charter schools with changes to local funding no less frequent than in October, February, and June. Sets forth various changes relative to public charter school policy and procedures, including but not limited to, reporting requirements; authorizing chartering authorities to withhold funding from public charter schools for benefit and retirement services per a charter agreement; and setting charter school enrollment preferences.

Authorizes the Commissioner of the Department of Education (DOE) to establish a public charter schools facilities program. Requires the Public Charter Schools Facilities Fund (PCSFF) to be established as a separate account with the State Treasurer for the purpose of funding approved projects through the public charter schools facilities program subject to appropriations.

Authorizes costs for administering the public charter schools facilities program to be funded from the PCSFF. Prohibits amounts remaining in the PCSFF at the end of each fiscal year from reverting to the General Fund. Requires funds in the PCSFF to be invested by the State Treasurer.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$6,000,000/FY17-18

Increase Local Revenue - \$2,490,800/FY17-18

Exceeds \$2,490,800/FY18-19 and Subsequent Years

Non-recurring funding in the amount of \$6,000,000 is included in the Governor's Recommended Budget Document for FY17-18 (page B-83) for the purpose of establishing the Public Charter Schools Facilities Fund.

Assumptions:

- No change in the Basic Education Program (BEP) funding formula.
- Local boards of education will receive an authorizer fee through the tiered structure set forth in Section 9 of the bill. This structure is based on the number of schools that each charter authorizer has approved and is calculated using a percentage of the charter school's state and local BEP funding allocated under Tenn. Code Annotated § 49-13-112.
- The DOE has provided the current number of charter schools in each LEA; the number of students attending such schools; and the per pupil expenditure (PPE) for each LEA.
- Shelby County Schools oversees 45 charter schools with 13,172 students and has an average PPE of \$9,003. As a result, Shelby County Schools will receive a recurring increase in local revenue estimated to be \$1,185,875 ($13,172 \times \$9,003 \times 1.0\%$).
- Metro Nashville Public Schools (MNPS) oversees 28 charter schools with 9,718 students and an average PPE of \$9,992. As a result, MNPS will receive a recurring increase in local revenue estimated to be \$971,023 ($9,718 \times \$9,992 \times 1.0\%$).
- Knox County Schools oversees one charter school with 286 students and an average PPE of \$7,761. As a result, Knox County Schools will receive a recurring increase in local revenue estimated to be \$66,589 ($286 \times \$7,761 \times 3.0\%$).
- Hamilton County Schools oversees four charter schools with 1,081 students and has an average PPE of \$8,242. As a result, Hamilton County Schools will receive a recurring increase in local revenue estimated to be \$267,288 ($1,081 \times \$8,242 \times 3.0\%$).
- The total recurring increase in local revenue in FY17-18 is estimated to be \$2,490,775 ($\$1,185,875 + \$971,023 + \$66,589 + \$267,288$).
- In FY18-19 and subsequent years, the recurring increase in local revenue is estimated to exceed \$2,490,776.
- Section 24 of the proposed legislation establishes the PCSFF for the purpose of administering the public charter facilities program for the purpose of assisting public charter schools in acquiring and improving property to educate students, including the purchase of property, general capital improvements to existing buildings and available buildings, assistance with any costs associated with the purchase or lease of underutilized or vacant property available, and for assistance with the repayment of debt incurred for existing capital outlay projects. Based on information provided by the

DOE, a one-time state appropriation of \$6,000,000 from the state General Fund to the PCSFF will be required to effectuate this program.

- The Governor's proposed FY17-18 Budget Document (page B-83) has \$6,000,000 in non-recurring funding to establish the PCSFF.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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